

Defendants' unlawful business practices in the State of Colorado, and seeking consumer restitution, disgorgement, damages, civil penalties, and attorneys' fees and costs.

PARTIES

2. John W. Suthers is the duly elected Attorney General of the State of Colorado. He is authorized under C.R.S. § 6-1-103 to enforce the CCPA by bringing civil actions against those that engage in deceptive trade practices. In such actions, the State may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113.

3. Laura E. Udis ("Udis") is the Administrator of the Uniform Consumer Credit Code. She is authorized under C.R.S. § 12-14.5-232 to enforce the DMSA by bringing civil actions against those that violate the act. In such actions, the Administrator may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. § 12-14.5-233.

4. Defendant Consumer and Business Debt Counseling Services, Inc., d/b/a CBDC ("CBDC") is a Massachusetts corporation with its office and principal place of business located at 1800 Pembroke Drive, Suite 290, Orlando, Florida 32810. CBDC has provided "debt-management services" to Colorado residents under C.R.S. § 12-14.5-202(10).

5. Defendant Isaac Bobbe is the President of CBDC. Upon information and belief, Bobbe, acting alone or in concert with others, has formulated, directed, controlled, had the authority to control, or participated in the acts and practices of CBDC, including the acts and practices alleged in this Complaint.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this case pursuant to C.R.S. § 13-1-124.

7. Pursuant to C.R.S. § 6-1-103 and C.R.S. § 12-14.5-233, venue is proper in Denver County.

PUBLIC INTEREST

8. Through the misleading and deceptive practices of their business, Defendants have misled and deceived Colorado consumers. Defendants' deceptive trade practices constitute prima facie evidence of Defendants' intent to injure competitors and to destroy or substantially lessen competition. See C.R.S. § 6-1-105(2).

9. Because Defendants continue to provide services to Colorado consumers, the Attorney General believes that Defendants will continue to cause injury, loss, and damage to

Colorado consumers, as well as to debt-management companies that are properly registered as providers of debt-management services and comply with the DMSA and the CCPA.

10. Therefore, these legal proceedings are in the public interest.

GENERAL ALLEGATIONS

a. The Debt-Management Services Act.

11. Plaintiff Udis is the Administrator of the Uniform Consumer Credit Code in Colorado. The Administrator is responsible for, among other things, ensuring that those providing “debt-management services” to residents of Colorado (“Provider” or “Providers”) are properly registered to conduct business in Colorado and comply with the provisions of the DMSA.

12. Under the DMSA, “debt-management services” means “services as an intermediary between an individual and one or more creditors of the individual for the purpose of obtaining concessions” C.R.S. § 12-14.5-202(10).

13. To provide debt-management services to residents of Colorado, a Provider must obtain a certificate of registration from the Administrator. C.R.S. § 12-14.5-204. To obtain a certificate, a Provider must supply information about itself, must meet specified requirements of competency, must obtain insurance against employee dishonesty, and must post a surety bond to ensure its compliance with the DMSA. C.R.S. §§ 12-14.5-205 through 12-14.5-214.

14. In addition, the DMSA establishes requirements for Providers to meet in connection with their interaction with the individuals they serve. C.R.S. § 12-14.5-217 prescribes detailed information that must be provided before a Provider may enter into an agreement with an individual. C.R.S. §§ 12-14.5-219 through 12-14.5-224 and § 12-14.5-228 govern the content of the agreement, including cancellation rights and limitations on the fees that may be charged. Other provisions address the performance and termination of agreements and miscellaneous other matters. C.R.S. §§ 12-14.5-225, 12-14.5-226, and 12-14.5-228. Providers must comply with these requirements as to all transactions entered into on or after January 1, 2008. C.R.S. § 12-14.5-240.

b. Defendants’ Business Practices.

15. Defendant CBDC provides back-end support services to credit-counseling companies. Specifically, CBDC negotiates with creditors on behalf of its clients’ (the credit-counseling companies) customers to have the creditors reduce finance charges or fees for late payments.

16. Thus, CBDC is a Provider of debt-management services under the DMSA. See C.R.S. § 12-14.5-202(10).

17. On December 17, 2010, the State contacted CBDC requesting information concerning CBDC's business practices in Colorado.

18. In response to the State's request for information, CBDC indicated that it has provided "back end services" to Colorado residents on behalf of the Johnson Law Group, PLLC ("JLG FL") and Johnson Law Group, APC ("JLG NV").

19. According to CBDC's records, CBDC negotiated with creditors on behalf of 292 of JLG FL's Colorado customers enrolled between January 1, 2008 and August 12, 2009, and on behalf of 29 of JLG NV's Colorado customers enrolled between January 1, 2008 and July 1, 2008.

20. CBDC, however, has failed and refused to obtain a certificate of registration from the Administrator.

21. Moreover, the contracts under which CBDC has provided debt-management services on behalf of JLG FL and JLG NV do not comply with the DMSA.

22. In particular, the JLG NV contracts under which CBDC performs services fail to comply with the following subsections of C.R.S. § 12-14.5-219:

- a. (a)(2)-(4), providing that agreements must be signed and dated by the Provider, must include the client's address, and must disclose the Provider's name, business address, and telephone number;
- b. (a)(6), requiring that certain disclosures be made;
- c. (d)(1), (2), and (3), requiring that agreements contain certain disclosures;
- d. (e), mandating that the powers of attorney contain certain restrictions; and
- e. (f)(1), providing that agreements may not provide for application of the law of any jurisdiction other than the United States and this state.

23. Further, the JLG NV consumers on whose behalf CBDC performs debt-management services have not been provided with the "Notice of Right to Cancel" disclosures,

in violation of C.R.S. § 12-14.5-220, or the “Important Information for You to Consider” disclosures, in violation of C.R.S. § 12-14.5-217(d), (e), and (g).

24. Still further, the JLG NV contracts under which CBDC provided debt-management services provide for a set-up fee as high as \$2,573.95 and monthly fees of \$59.00 per month, in violation of C.R.S. § 12-14.5-223(d)(1)(A) and (B).

25. Similarly, the JLG FL contracts under which CBDC performs services fail to comply with the following subsections of C.R.S. § 12-14.5-219:

- a. (a)(3), providing that agreements must include the client’s address;
- b. (a)(6), requiring that certain disclosures be made;
- c. (d)(1), (2), and (3), requiring that agreements contain certain disclosures;
- d. (f)(1), providing that agreements may not provide for application of the law of any jurisdiction other than the United States and this state.

26. Further, the JLG FL consumers on whose behalf CBDC performs debt-management services have not been provided with the “Notice of Right to Cancel” disclosures, in violation of C.R.S. § 12-14.5-220, or the “Important Information for You to Consider” disclosures, in violation of C.R.S. § 12-14.5-217(d).

27. Still further, the JLG FL consumers on whose behalf CBDC performs debt-management services have not been provided with the information concerning the creditors CBDC expects to participate and grant concessions and those it does not, in violation of C.R.S. § 12-14.5-217(c)(3).

28. In addition, the JLG FL contracts under which CBDC provides debt-management services provide for a set-up fee as high as \$2,377 and monthly fees of \$59 per month, in violation of C.R.S. § 12-14.5-223(d)(1)(A) and (B).

29. Finally, the JLG FL contracts under which CBDC performs services provide for an NSF fee as high as \$30, in violation of C.R.S. § 12-14.5-223(f).

30. As a result of these violations, the State delivered to CBDC a proposed Stipulation and Final Agency Order (the “Stipulation”) on March 4, 2011 setting forth a resolution acceptable to the Administrator.

31. CBDC failed to agree to the proposed Stipulation.

FIRST CLAIM FOR RELIEF
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT (C.R.S. § 12-14.5-204)

32. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 31 above as if fully set forth herein.

33. To provide debt-management services to residents of Colorado, a Provider must obtain a certificate of registration from the Administrator. C.R.S. § 12-14.5-204.

34. Defendants provide debt-management services to residents of Colorado.

35. Defendants have failed and refused to obtain a certificate of registration from the Administrator.

36. Therefore, Defendants have violated the DMSA.

37. As a result of Defendants' violations of the DMSA, the Administrator is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. § 12-14.5-233.

SECOND CLAIM FOR RELIEF
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT (C.R.S. § 12-14.5-219)

38. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 37 above as if fully set forth herein.

39. The DMSA sets forth specific requirements concerning the content of agreements to provide debt-management services. See C.R.S. § 12-14.5-219.

40. The agreements under which Defendants provide services do not contain the requisite content.

41. Therefore, Defendants have violated the DMSA.

42. As a result of Defendants' violations of the DMSA, the Administrator is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. § 12-14.5-233.

THIRD CLAIM FOR RELIEF
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT (C.R.S. § 12-14.5-223)

43. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 42 above as if fully set forth herein.

44. Under the DMSA, “[i]f an individual assents to a plan that contemplates that creditors will reduce finance charges or fees for late payment, default, or delinquency, the [P]rovider may charge: (A) A fee not exceeding fifty dollars for consultation, obtaining a credit report, setting up an account, and the like; and (B) A monthly service fee, not to exceed ten dollars times the number of creditors remaining in a plan at the time the fee is assessed, but not more than fifty dollars in any month.” C.R.S. § 12-14.5-223(d)(1).

45. The agreements under which Defendants provide services include set-up fees and monthly fees in excess of the maximum allowed under C.R.S. § 12-14.5-223(d)(1).

46. Therefore, Defendants have violated the DMSA.

47. As a result of Defendants’ violations of the DMSA, the Administrator is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys’ fees and costs. See C.R.S. § 12-14.5-233.

FOURTH CLAIM FOR RELIEF
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT (C.R.S. § 12-14.5-220)

48. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 47 above as if fully set forth herein.

49. The DMSA provides for specific cancellation rights that consumers shall have, and sets forth the procedures Providers must comply with in notifying consumers of their right to cancel an agreement. C.R.S. § 12-14.5-220.

50. The agreements under which Defendants provide services do not comply with the requirements set forth in C.R.S. § 12-14.5-220.

51. Therefore, Defendants have violated the DMSA.

52. As a result of Defendants’ violations of the DMSA, the Administrator is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys’ fees and costs. See C.R.S. § 12-14.5-233.

FIFTH CLAIM FOR RELIEF
VIOLATIONS OF COLORADO DEBT-MANAGEMENT SERVICES ACT (C.R.S. § 12-14.5-217)

53. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 52 above as if fully set forth herein.

54. The DMSA requires that Providers provide consumers with certain cautionary disclosures and information, fully described in C.R.S. § 12-14.5-217.

55. The agreements under which Defendants provide services do not provide the requisite disclosures and information.

56. Therefore, Defendants have violated the DMSA.

57. As a result of Defendants' violations of the DMSA, the Administrator is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys' fees and costs. See C.R.S. § 12-14.5-233.

SIXTH CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CONSUMER PROTECTION ACT (C.R.S. § 6-1-105(1)(z))

58. Plaintiffs incorporate by reference the allegations of paragraphs 1 through 57 above as if fully set forth herein.

59. Under the CCPA, a person engages in a deceptive trade practice when, in the course of such person's business, such person "[r]efuses or fails to obtain all governmental licenses or permits required to perform the services . . . as agreed to or contracted for with a consumer." C.R.S. § 6-1-105(1)(z).

60. Defendants have failed or refused to obtain from the Administrator the requisite certificate of registration to provide debt-management services, in violation of C.R.S. § 6-1-105(1)(z).

61. Therefore, Defendants have violated the CCPA.

62. As a result of Defendants' violations of the CCPA, the Attorney General is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, and attorneys' fees and costs. See C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113.

PRAYER FOR RELIEF

ACCORDINGLY, Plaintiffs pray for entry of judgment in their favor and against Defendants, and request the Court provide the following relief:

- A. Issue a preliminary and permanent injunction, enjoining Defendants from:
 - 1. Providing debt-management services to residents of Colorado without obtaining from the Administrator the requisite certificate of registration;
 - 2. Providing debt-management services to Colorado residents in violation of the DMSA's requirements; and
 - 3. Engaging in deceptive trade practices, in the course of their business activities, in violation of the CCPA.
- B. Impose civil penalties against Defendants under C.R.S. § 12-14.5-233 and C.R.S. § 6-1-112;
- C. Order Defendants to make restitution of money to the persons aggrieved by the violations;
- D. Order Defendants to disgorge all profits from their unlawful activities in the State of Colorado;
- E. Award costs, expenses, and attorneys' fees incurred by Plaintiffs;
- F. Award pre- and post-judgment interest; and
- G. Award such other relief as the Court deems proper and just.

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s/ Jeanine M. Anderson

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Pursuant to C.R.C.P. 121 § 1-26(7), the original of this document with original signatures is maintained in the Offices of the Colorado Attorney General, 1525 Sherman Street, Seventh Floor, Denver, Colorado 80203, and will be made available for inspection by other parties or the Court upon request.